



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Coolidge Unified School District Fiscal Years 2012, 2013 and 2014

Report Number—15-33

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Diane Douglas
Superintendent of
Public Instruction

May 13, 2015

Charie Wallace, Superintendent
Coolidge Unified School District
450 N Arizona Blvd
Coolidge, AZ 85128

Dear Mrs. Wallace,

The Arizona Department of Education Audit Unit has conducted an audit of the Coolidge Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2012, 2013 and 2014. The purpose of the audit was to address whether the District properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District did not accurately report some student data, which resulted in an understatement of 9.30 ADM and an underfunding of \$60,072.92 in Basic State Aid, which must be repaid to the District as required by statute.

We appreciate the cooperation and assistance provided by the District's administration during the course of the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Eddy".

Lisa Eddy,
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Coolidge Unified School District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2012 through FY2014.

Average Daily Membership audits of district and charter holder funding—Pursuant to A.R.S. § 15-239, ADE may conduct ADM audits, which help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. School districts and charter schools receive Basic State Aid based on several factors related to student enrollment and attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE. ADE processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

The ADM audit process determines whether payments were correct or if an adjustment is needed. The audit process compares the school district or charter school's information reported to ADE's student data system, the Student Accountability Information System (SAIS), to information found on the original records kept at the school. If auditors find that the school district or charter school's reported information does not match the original documentation, the audit will calculate and report the funding adjustment needed to the school district's or charter school's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The audit findings are written and compiled into a report that is then issued to the audited entity.

Superintendent's legal notice links the audit and appeals processes—In addition to the report, the audited entity receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction (Superintendent) regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. The audited entity may appeal the Superintendent's decision in the Notice.

Opportunity to appeal the audit—A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice with the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school district or charter school and ADE may reach agreement in an informal settlement conference. If an agreement is not reached at the informal settlement conference, the appeal will be adjudicated by the Office of Administrative Hearings.

Funding adjustment process and timeframes—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools' funding be made in the current budget year. In case of hardship, schools may request that the Superintendent allow a correction to be made partly in the current budget year and partly in the following budget year.

In addition, ADE will adjust the District's budget capacity if required. ADE School Finance Memorandum 13-011 summarizes the budget capacity adjustment authorized by statute:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

District information—The District, located in Coolidge, Arizona, maintained three elementary schools, two middle schools, two high schools and an alternative program for students in a preschool program and grades kindergarten through twelve during the fiscal years audited. Table 1 presents the District's unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

Table 1

**Coolidge Unified School District
Total Students, Revenues and Expenditures
FY2012, FY2013 and FY2014
(Unaudited)**

	FY2012	FY2013	FY2014
Students Enrolled	3,743	3,660	3,739
Number of Teachers	180	166	173
Revenue			
Local	\$ 7,953,083	\$ 7,441,276	\$ 9,088,188
County	791,874	831,370	737,020
State	14,212,745	12,378,334	12,778,945
Federal	4,868,039	5,332,947	4,660,148
Total Revenues	<u>27,825,741</u>	<u>25,983,927</u>	<u>27,264,301</u>
Total Expenditures	<u>\$ 30,332,747</u>	<u>\$ 28,016,360</u>	<u>\$ 26,524,581</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2012, FY2013 and FY2014.

SCOPE AND METHODOLOGY

The audit focused on whether the District accurately reported its data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records (USFR) and its own policies and procedures for FY2012, FY2013 and FY2014.

To conduct this audit, auditors used a variety of methods, including examining District and SAIS records for enrollment. Auditors also reviewed state statutes and District policies and procedures, and interviewed District management and staff. Specifically:

- ***Enrollment data***—Auditors compared SAIS data to the District’s SMS and identified 204 students for further review. Auditors obtained the student profiles from the District’s SMS and reviewed them to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the student profiles to determine if an adjustment was necessary. In addition, auditors reviewed the student schedules for high school students to determine if the full time equivalency (FTE) reported to ADE was correct. Depending on the number of classes needed to have a 1.0 FTE, auditors recalculated the actual FTE for the students based on the number of courses the students were taking during the year. When the audited FTE or entry or exit dates were different from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***Withdrawal forms***—Auditors selected two high school students for each fiscal year audited and obtained the withdrawal form and any supporting documentation from the student’s cumulative file. Auditors compared the withdrawal code entered by the School’s staff on the withdrawal form to the withdrawal code reported to SAIS. Finally, auditors compared this information to the requirements contained within the Official Notice of Pupil Withdrawal form required by statute and ADE.
- ***SPED Data***—Additionally, for the 36 students where an ADM adjustment was made, auditors determined whether the student had also been funded for a special education category. Auditors calculated the special education adjustment based on the SPED category and service code and applied this adjustment to each respective student’s recalculated ADM and made appropriate adjustments to the funded ADM.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were limited by SAIS.
- ***Instructional hours***—Auditors reviewed the bell schedules and calendars for each of the District’s schools for FY2012, FY2013 and FY2014. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No findings were identified for this area.

The Audit Unit expresses its appreciation to Coolidge Unified School District’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$60,072.92

The District inaccurately reported the student enrollment data for 36 students for the three fiscal years audited. Specifically, auditors found that 15 students were reported with an incorrect FTE, one student was reported with an incorrect entry or withdrawal date, and 20 students were not properly limited in SAIS. Of these affected students, five were SPED students with additional ADM weights. As a result of these errors, the District's ADM was understated by 9.30 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$60,072.92 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915.

The District Inaccurately Reported Some Student Enrollment Data

Auditors determined that the District inaccurately reported 36 students' enrollment data to ADE due to various errors, which resulted in the District's ADM being understated by 9.30, specifically:

- 15 high school students were reported with an incorrect FTE status, which resulted in the District's ADM being understated by 5.86.
- 1 student had an incorrect withdrawal date reported in SAIS, which resulted in the District's ADM being understated by 0.50.
- 20 students were not properly limited and as a result had more than 100 membership days reported to SAIS, which resulted in the District's ADM being overstated by 0.65.

Of these students, five were SPED students, whose associated SPED weight resulted in their ADM being underreported by 3.59. As shown in Table 2 (see page 5), data reporting errors resulted in a net ADM understatement of 9.30 for the three fiscal years audited.

Table 2

**Coolidge Unified School District
ADM Adjustments Due to Enrollment Data Errors
FY2012, FY2013 and FY2014**

	FY2012	FY2013	FY2014	Total
Incorrect FTE	(1.99)	(1.37)	(2.50)	(5.86)
Incorrect Entry/Exit	(0.50)	-	-	(0.50)
Not Limited Correctly	0.39	0.01	0.26	0.65
SPED	(3.59)	-	-	(3.59)
Enrollment Data Errors	<u>(5.69)</u>	<u>(1.37)</u>	<u>(2.24)</u>	<u>(9.30)</u>

Source: Auditor analysis of District records and SAIS data for FY2012, FY2013 and FY2014.

The District Must Reconcile Its Enrollment Data With SAIS

The District can avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. The District should review the reports produced by SAIS and reconcile them to the District's SMS data to identify any discrepancies that would affect funding and correct any errors identified.

The District Was Underfunded by \$60,072.92

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for the three fiscal years audited. The enrollment data errors reported by the District resulted in its ADM being understated by 9.30. As a result, the District was underfunded by \$46,231.97 in Basic State Aid. However, statutory growth formulas applied to the District funding formula show that the District should receive an additional \$13,840.95. As a net result, the District was underfunded by \$60,072.92. According to A.R.S. § 15-915, ADE must repay the District \$60,072.92 in underfunded Basic State Aid for data enrollment errors for the three fiscal years audited. Table 3 (see page 6) shows the ADM and funding adjustments required for the District for FY2012, FY2013 and FY2014.

Table 3

**Coolidge Unified School District
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2012, FY2013 and FY2014**

Fiscal Year	ADM Adjustment	Funding Adjustment	Growth	Net Funding Adjustment
2012	(5.69)	\$(21,882.16)	\$ (17,582.05)	\$ (39,464.21)
2013	(1.37)	\$(14,076.46)	\$ 3,741.10	\$ (10,335.36)
2014	<u>(2.24)</u>	<u>\$(10,273.35)</u>	<u>\$ -</u>	<u>\$ (10,273.35)</u>
Total	<u>(9.30)</u>	<u>\$(46,231.97)</u>	<u>\$ (13,840.95)</u>	<u>\$ (60,072.92)</u>

Source: Auditor analysis of District records and SAIS data for FY2012, FY2013 and FY2014.

Recommendations:

1. ADE must repay the District \$60,072.92 in Basic State Aid due to incorrectly reported enrollment data.
2. The District must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901.
3. The District must comply with A.R.S. § 15-901 when calculating and reporting FTE status.

FINDING 2: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

The District did not properly maintain some student records required by statute and ADE guidelines. Specifically, the District did not properly maintain supporting documentation with the official withdrawal form for some students. In the future, the District should properly maintain these documents to ensure compliance with statute and ADE guidelines.

The District Did Not Properly Maintain the Withdrawal Form Supporting Documentation

The District did not maintain appropriate documentation to support the reported withdrawal code for some students sampled. According to EX-18 School Finance Procedures Manual, “*As documentation helps to ensure uniform and comparable data across schools, districts and charters are required to use the form: Official Notice of Pupil Withdrawal when a student withdraws during the school year.*” In addition, according to the Pupil Withdrawal and LEA Compliance Audit guideline, the District is required to maintain documentation to support the withdrawal code used for the student.

Auditors reviewed a sample of 12 students and determined that all 12 students did have the proper withdrawal form in their files. However, five students did not have any documentation to support the withdrawal code reported to ADE. For example, school districts and charter schools are required to obtain official written documentation that a student has transferred to another school or to an educational program that culminates in the award of a regular high school diploma. Further, School districts and charter schools are required to obtain official documentation that a student has been withdrawn for lack of attendance or the status of the student is unknown, such as an attendance record showing ten consecutive days of unexcused absence.

The District should review the updated version of the Official Notice of Pupil Withdrawal dated December 20, 2014, which includes examples of acceptable documentation for each of the withdrawal categories.

Recommendations:

1. The District must ensure that it collects and maintains proper documentation to support the withdrawal code reported to ADE.
2. The District must ensure that supporting documentation collected at the schools conforms to the Official Notice of Pupil Withdrawal form.

ADM and Funding Adjustments

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. ADE's School Finance Unit's Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Budget capacity adjustment required—The District must adjust its budget capacity for the three fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

Basic State Aid adjustment of \$60,072.92 required to be repaid by ADE—Auditors identified an overall funding increase of \$60,072.92 for the three fiscal years audited due to inaccurate student enrollment data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2012, FY2013 and FY2014.

Table 4

**Coolidge Unified School District
ADM and Funding Adjustments
FY2012, FY2013 and FY2014**

	FY2012	FY2013	FY2014	Total
ADM Adjustment	<u>(5.69)</u>	<u>(1.37)</u>	<u>(2.24)</u>	<u>(9.30)</u>
Funding Adjustment	<u>\$(39,464.21)</u>	<u>\$(10,335.36)</u>	<u>\$(10,273.35)</u>	<u>\$(60,072.92)</u>

Source: Auditor analysis of SAIS and District student and financial data for FY2012, FY2013 and FY2014.